

Message Text

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12

ACTION COME-00

INFO OCT-01 EUR-25 IO-12 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

AGR-20 PA-03 PRS-01 USIA-12 RSR-01 /183 W

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R 181730 Z MAY 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 1334

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 THE HAGUE 2298

PASS COMMERCE

E. O. 11652: N/ A

TAGS: EFIN BEXP

SUBJECT: IMPLICATIONS FOR U. S. EXPORTS OF RECENT FOREIGN
EXCHANGE DEVELOPMENTS

REF: STATE 077866

1) SUMMARY. RECENT DEVALUATION U S. DOLLAR PLUS OTHER
MONETARY DEVELOPMENTS EXPECTED TO GIVE ADDED BOOST TO
U. S. MANUFACTURED EXPORTS TO NETHERLANDS. EFFECTS
NATURALLY WILL VARY CONSIDERABLE FROM INDUSTRY TO
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INDUSTRY AND MUST BE VIEWED IN CONTEXT LOCAL ECONOMIC FACTORS, BUT TENTATIVE CONSENSUS IS THAT CURRENCY CHANGES HAVE HELPED A SIZEABLE NUMBER OF U. S. MANUFACTURERS TO EITHER HOLD OR IMPROVE THEIR COMPETITIVE POSITIONS. A FEW PRODUCTS, SUCH AS ELECTRICAL APPLIANCES AND DO-IT-YOURSELF POWER AND HAND TOOLS ARE BELIEVED TO HAVE REGAINED COMPETITIVE POSITIONS AND THEIR SALES OUTLOOK HERE IS NOW CONSIDERED ATTRACTIVE. ALL DUTCH IMPORTERS CONTACTED ARE PASSING THROUGH AVERAGE 60 TO 80 PERCENT OF THE EXCHANGE RATE CHANGE TO FINAL BUYER AS ARE MOST LOCAL SUBSIDIARIES OF U.S. FIRMS. APPARENTLY LEAST EFFECTED PRICEWISE ARE MULTINATIONALS WHO MANUFACTURE MOST EXTENSIVELY IN EUROPE. EMBASSY INFORMED, HOWEVER, OF DECISION BY SEVERAL TO SHIFT SOME PRODUCTION BACK TO U. S. OR DROP PLANS TO EXPAND IN EUROPE. NEVERTHELESS, MANY U. S. GOODS REMAIN NON-COMPETITIVE IN PRICE, INCLUDING A MAJORITY OF U. S. CONSUMER ITEMS, AND THOSE WHICH SELL DO SO ONLY BY VIRTUE OF SUPERIOR QUALITY. IN ADDITION, BULK OF U. S. EXPORTS HERE ARE NOT VERY PRICE ELASTIC. EXAMPLES ARE AIRCRAFT, COMPUTERS AND AGRICULTURAL COMMODITIES. THEIR SALES POTENTIAL DEPENDS LARGELY ON LOCAL ECONOMIC CONDITIONS WHICH, COINCIDENTLY, ARE EXPECTED TO IMPROVE THIS YEAR. AS IS WELL KNOWN, CAP OFFSETS ANY NEW PRICE ADVANTAGES ON MAJORITY OF OUR AGRICULTURAL COMMODITIES. DUTCH MANUFACTURERS COMPETING WITH U. S. PRODUCTS IN THIRD MARKETS ARE BELIEVED NOW TO BE BEGINNING TO FEEL PRICE SQUEEZE BUT PRECISE INFORMATION HARD TO COME BY END SUMMARY.

2) IN PREPARING THIS RESPONSE, EMBASSY CONTACTED DUTCH IMPORTERS, LOCAL SUBSIDIARIES OF U. S. FIRMS, AND MULTINATIONALS IN MAJOR PRODUCT FIELDS. DUTCH IMPORTERS STATED THEY HAVE PASSED ON GREATER PART OF LATEST 11 PERCENT EXCHANGE RATE CHANGE TO FINAL BUYER AND MOST SAID THEY WELCOMED OPPORTUNITY TO DO SO. U. S. SUBSIDIARIES CONTACTED HAVE DONE SO TO LESSER DEGREE APPARENTLY BECAUSE THEIR PRODUCTS ARE ALREADY IN STRONG MARKET POSITION AND LESS PRICE ELASTIC. MULTINATIONALS REPORTED EVEN FEWER PRICE REDUCTIONS SINCE MUCH OF WHAT THEY MARKET HERE IS NON-U. S. SOURCED. HOWEVER, IN SEVERAL CASES MULTINATIONALS HAVE REPORTED THAT PLANS TO SHIFT PRODUCTION

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AWAY FROM U. S. HAVE BEEN DROPPED, AND THAT DECISIONS HAVE BEEN TAKEN TO SHIFT BACK FROM EUROPE TO U. S. FOLLOWING PRODUCT AREAS BELIEVED TO BE AMONG THOSE BENEFITING FROM MONETARY DEVELOPMENTS TO VARYING DEGREES.

3) ELECTRONIC EQUIPMENT AND INSTRUMENTS. DUTCH IMPORTER REPORTED GUILDER PRICES REDUCED AVERAGE 6 PERCENT WITH NO

INCREASES IN DOLLAR PRICES DEMANDED BY U. S. EXPORTERS.
THUS REMAINDER OF EXCHANGE RATE DIFFERENTIAL RETAINED BY
IMPORTER, WHO CITED INCREASING LOCAL COSTS AS PREVENTING
FURTHER REDUCTIONS THIS EXPLANATION TYPICAL OF OTHER
IMPORTERS AS WELL. COMPETITIVENESS ALSO REPORTEDLY
UNCREASED BY CONCOMITANT PRICE RISE OF GERMAN EQUIPMENT.

4) MEDICAL EQUIPMENT. DUTCH IMPORTER STATED GUILDER PRICES
REDUCED 6 TO 7 PERCENT ON ALL U. S. EQUIPMENT AND THAT ALL U. S.
EXPORTERS HAVE HELD DOLLAR PRICE INTACT. SOME GREATER DEMAND
SEEN AS RESULT, BUT U. S. PRICES STILL HIGHER THAN COM-
PETITORS IN MOST INSTANCES. QUALITY AND ADVANCED TECHNO-
LOGY STILL STRONGEST SELLING POINTS.

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R 181730 Z MAY 73
FM AMEMBASSY THE HAGUE
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AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
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AMEMBASSY PARIS
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5) TRANSPORTATION AND MATERIALS HANDLING EQUIPMENT. DUTCH
IMPORTER REDUCED PRICES ON US. ELECTRIC FORK LIFTS AND
EXPECTS SALES BENEFIT, ESPECIALLY IN VIEW PRICE RISES FOR

JAPANESE COMPETITORS. LOCAL SUBSIDIARY OF MAJOR U. S. MANUFACTURER REPORTED GUILDER PRICES DOWN 6 1/2 TO 8 PERCENT ON THEIR COMPLETE LINE OF U. S. ORIGIN AUTOMOBILES, TRUCKS, DIESEL AND GASOLINE ENGINES, SPARE PARTS AND TRANSMISSIONS. FIRM NOTES DIESEL SALES ALREADY UP WITH GERMANS FORCED TO RAISE PRICES 10 PERCENT. ALSO FORESAW SOME INCREASE IN SALES U. S. ORIGIN LUXURY AUTOMOBILES.

6) ELECTRICAL APPLIANCES. OUTLOOK FOR THIS LINE LOOKS PARTICULARLY BRIGHT. IMPORTERS HAVE SHOWN NEW INTEREST
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IN SMALL ELECTRICAL HOUSEHOLD APPLIANCES, AS WELL AS WHITE LINES. DUTCH IMPORTER OF DISHWASHERS, REFRIGERATORS AND OTHER APPLIANCES REPORTED THAT SINCE JANUARY 1973, HIS ENTIRE LINE, WHICH HAD BEEN COMING FROM EUROPE, HAS BEEN SHIFTED BY U. S. MANUFACTURER BACK TO U. S. PROCUREMENT. PRICES OF U. S. APPLIANCES TILL SOMEWHAT HIGHER THAN EUROPEAN OR JAPANESE BUT DIFFERENTIAL HAS BEEN SIGNIFICANTLY NARROWED. SPECIAL FEATURES OF U. S. EQUIPMENT ALSO ADD TO THEIR SALEABILITY. BENELUX HAS RECENTLY PLACED QR'S ON IMPORTS OF JAPANESE RADIOS, TV'S AND TAPE RECORDERS, AND DUTCH IMPORTERS ARE REPORTED TO BE ACTIVELY SEEKING ALTERNATIVE SOURCES OF THESE PRODUCTS.

7) HAND AND POWER TOOLS. SUBSIDIARY OF MAJOR U. S. MANUFACTURER VERY OPTIMISTIC ABOUT FUTURE OF THIS LINE WITH IMPORTS FROM U. S. GROWING SIGNIFICANTLY. STATED FIRST DOLLAR DEVALUATION MADE COMPANY REASSESS U. S. AS MANUFACTURING SOURCE WHILE SECOND DEVALUATION CONFIRMED PLANS TO DO SO. SEES WHOLE NEW PRODUCT LINES THAT WILL BE IMPORTED FROM U. S. RATHER THAN MADE IN EUROPE. ALSO BELIEVED HIS STRONGEST EUROPEAN COMPETITOR IS IN A TIGHT PROFIT SQUEEZE.

8) BUSINESS MACHINES. MAJOR MULTINATIONAL HAS TOLD EMBASSY THAT RECENT DEVALUATION HAS CAUSED HIS FIRM TO ABANDON PLANS TO SHIFT PRODUCTION OF COMPONENTS FROM U. S. TO EUROPE.

9) PACKAGED FOOD. DUTCH IMPORTER OF WIDE VARIETY OF U. S. BOXED, BOTTLED, AND CANNED FOODS REPORTED THAT GUILDER PRICES HAVE BEEN REDUCED 8 TO 10 PERCENT. ALTHOUGH SOME BENEFITS EXPECTED, IMPORTER BELIEVED THAT SIGNIFICANT SALES GROWTH WOULD DEPEND ON MORE AGGRESSIVE MARKETING BY U. S. MANUFACTURERS I. E. LOCAL LANGUAGE LABELING AND BETTER TAILORING OF THEIR PRODUCTS TO EUROPEAN MARKET.

10) MONETARY DEVELOPMENTS REPORTED TO BE OF MARGINAL IMPORTANCE IN INCREASING SALES IN FOLLOWING AREAS:

A) COPYING, ADDRESSING AND LABELING EQUIPMENT, LOCAL
SUBSIDIARY OF U. S. COMPANY HAS MAINTAINED GUILDER PRICE,
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BUT DUTCH GOVERNMENT, WHICH IS MAJOR BUYER, IS NOW
PRESSING FOR PRICE REDUCTION. COMPETITORS HAVE ALSO
BEEN HOLDING PRICES.

B) SOPHISTICATED COMMUNICATIONS EQUIPMENT. GIANT
MULTINATIONAL IS HOLDING GUILDER PRICES AND TAKING
EXTRA PROFIT ON LIMITED IMPORTS FROM U. S. SOME PRICE
REDUCTIONS FORESEEN, HOWEVER.

C) AVIATION SPARE PARTS AND EQUIPMENT. LITTLE IMMEDIATE
INCREMENTAL SALES FORESEEN IN THIS AREA BY MAJOR DUTCH
IMPORTER DUE TO FACT THAT SOURCING OF SPARE PARTS
IS FIXED BY MANUFACTURER OF AIRCRAFT. ALSO PRICES OF
SPAREPARTS, WHICH OFTEN MUST BE CUSTOM- MADE, VARY WITH
SIZE OF ORDER.

D) CHEMICALS. LOCAL SUBSIDIARY OF MAJOR U. S. PRODUCER
REPORTED GUILDER PRICES OF ITS U. S. IMPORTS HAVE BEEN
MAINTAINED OR INCREASED. CHEMICALS ARE NOW IN SELLERS
MARKET HERE WITH FURTHER INCREASES IN PRICES FORESEEN.

E) CONSUMER GOODS. IMPORT BUYER FOR MAJOR DEPARTMENT
STORE CHAIN TOLD US THAT PURCHASES OF U. S. GOODS,
PARTICULARLY CLOTHES, HAVE BEEN FALLING IN RECENT
YEARS AND NOT GREAT TURNAROUND EXPECTED DESPITE
DEVALUATION. EMBASSY BELIEVES, HOWEVER, THAT MORE
AGGRESSIVE MARKETING COULD CHANGE THIS SITUATION.

11) LITTLE INFORMATION COULD BE OBTAINED ON PROBLEMS OF
DUTCH MANUFACTURERS FACING IN THIRD MARKETS, BUT WE
UNDERSTAND GERMANS AND JAPANESE ARE BEGINNING TO
FEEL PRICE SQUEEZE HERE AND SUSPECT DUTCH ALSO EXPERIENCING
SAME IN THIRD MARKETS.
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